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August 19, 2008

Ms. Audrey Ross  
Administrator  
The Pension Resource Center, LLC  
4360 Northlake Blvd., Suite 206  
Palm Beach Gardens, FL 33410

Re: Hallandale Beach Police Officers and Firefighters Personnel Retirement Trust

Dear Audrey:

As requested by the Board, we have prepared the enclosed Actuarial Impact Statement pertaining to the proposed ordinance which includes the following plan changes pursuant to the 10/1/2005-9/30/2008 collective bargaining agreement:

- Increase prior service purchase rate from 8.0% to 8.4% of pay per year purchased (maximum of 4 years); service may not be utilized until after 10 years of actual service worked.
- Cost for additional accrual service (up to 5 years) is full actuarial cost (previously 8.4% of current pay for each year purchased)
- Increase the employee contribution rate from 8.0% to 10.0%
- Eliminate the Medical Stipend for members hired after January 1, 1996
- Include Outside Service Duty Detail Compensation up to a maximum of \$10,000 per year as Pensionable Earnings
- Change Final Average Earnings definition from the average of Pensionable Earnings during the 78 highest consecutive bi-weekly pay periods prior to retirement or termination of employment to the average of the two most recent completed calendar years preceding retirement or termination of employment
- Increase the cost-of-living adjustment (COLA) from 1.0% to 2.0% for members currently eligible to receive a COLA and for members employed on or after October 1, 2002
- The rate of return reverts to the fund return upon DROP exit for Firefighters who enter the DROP after 10/3/2006 and who elected to receive the fixed return upon DROP entry.

The Statement must be filed with the Division of Retirement before the final public hearing on the ordinance. Please have a member of the Board of Trustees sign the Statement. Then send the Statement along with a copy of the ordinance to Tallahassee.

This report is intended to describe the financial effect of the proposed assumption and method changes. No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of this report prior to relying on information in the report.

August 19, 2008  
Ms. Audrey Ross

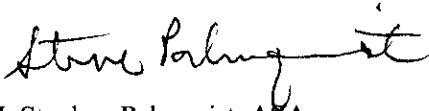
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If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such decision.

In the event that more than one change is being considered, it is very important to remember that the results of separate actuarial valuations cannot generally be added together to produce a correct estimate of the combined effect of all of the changes. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

We welcome your questions and comments.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Steve Palmquist", with a stylized flourish at the end.

J. Stephen Palmquist, ASA  
Senior Consultant & Actuary

Enclosures

JSP/mm

**CITY OF HALLANDALE BEACH POLICE OFFICERS AND FIREFIGHTERS PERSONNEL  
RETIREMENT TRUST**

Impact Statement – August 19, 2008

**Description of Amendment**

The proposed restated ordinance incorporates the following plan changes:

- Increase prior service purchase rate from 8.0% to 8.4% of pay per year purchased (maximum of 4 years); service may not be utilized until after 10 years of actual service worked
- Cost for additional accrual service (up to 5 years) is full actuarial cost (previously 8.4% of current pay for each year purchased)
- Increase the employee contribution rate from 8.0% to 10.0%
- Eliminate the Medical Stipend for members hired after January 1, 1996
- Include Outside Service Duty Detail Compensation up to a maximum of \$10,000 per year as Pensionable Earnings
- Change Final Average Earnings definition from the average of Pensionable Earnings during the 78 highest consecutive bi-weekly pay periods prior to retirement or termination of employment to the average of the two most recent completed calendar years preceding retirement or termination of employment
- Increase the cost-of-living adjustment (COLA) from 1.0% to 2.0% for members currently eligible to receive a COLA and for members employed on or after October 1, 2002
- The rate of return reverts to the fund return upon DROP exit for Firefighters who enter the DROP after 10/3/2006 and who elected to receive the fixed return upon DROP entry.

**Funding Implications of Amendment**

An actuarial cost estimate is attached. The annual required City contribution to the System would increase by \$1,292,594 or 6.45% of covered payroll.

**Certification of Administrator**

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the Constitution of the State of Florida.

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For the Board of Trustees  
as Plan Administrator

## **SUPPLEMENTAL ACTUARIAL VALUATION REPORT**

### **Plan**

City of Hallandale Beach Police Officers and Firefighters Personnel Retirement Trust

### **Valuation Date**

October 1, 2007

### **Date of Report**

August 19, 2008

### **Report Requested by**

Board of Trustees

### **Prepared by**

J. Stephen Palmquist

### **Group Valued**

All active and inactive members of the Plan.

### **Plan Provisions Being Considered for Change**

#### Present Provisions Before Change

- The cost of Prior Service is 8.0% of current salary for each year purchased (maximum 4 years).
- The cost of Additional Accrual Service is 8.4% of current salary for each year purchased (maximum of 5 years and combined maximum of Prior Service and Additional Accrual Service is 5 years); payments for Additional Accrual Service purchased may be made by payroll deductions for a period not to exceed 5 years.
- The employee contribution rate is 8.0% of pensionable earnings.
- Members are eligible to receive a Medical Stipend of \$10 per month per years of credited service up to a maximum monthly benefit of \$200
- Outside Service Duty Detail Compensation is not included in Pensionable Earnings.
- Final Average Earnings is the average rate of Pensionable Earnings during the 78 highest consecutive bi-weekly pay periods prior to retirement or termination of employment.
- The cost-of-living adjustment (COLA) for members employed on or after October 1, 2002 is 1% each January 1 after members retire, provided that the Consumer Price Index for Urban Areas (CPIU) is greater than or equal to 0.5% for the 12 month period on the preceding September 30.
- DROP members may select between a fixed rate of return or the actual fund return.

#### Provisions After Change

- The cost of Prior Service is 8.4% of current salary for each year purchased (maximum 4 years).
- The cost of Additional Accrual Service up to 5 years is full actuarial cost (combined maximum of Prior Service and Additional Accrual Service is 5 years); payments for Additional Accrual Service purchased may be made by payroll deductions for a period not to exceed 10 years.
- The employee contribution rate is 10.0% of pensionable earnings.
- The Medical Stipend is eliminated for employees hired after January 1, 1996.
- Pensionable Earnings includes Outside Service Duty Detail Compensation up to a maximum of \$10,000; employee contributions apply to all Outside Service Duty Detail Compensation including amounts in excess of \$10,000.

- Final Average Earnings is the average of the two most recent completed calendar years preceding retirement or termination of employment.
- The cost-of-living adjustment (COLA) for members employed on or after October 1, 2002 is 2% each January 1 after members retire, provided that the Consumer Price Index for Urban Areas (CPIU) is greater than or equal to 0.5% for the 12 month period on the preceding September 30.
- Upon DROP exit, the investment return on DROP accounts reverts to the actual return for firefighters who entered the DROP after 10/3/2006 and had selected the fixed rate.

### **Actuarial Assumptions and Methods**

All assumptions and methods are the same as the October 1, 2007 Actuarial Valuation Report.

Some of the key assumptions/methods are:

Investment return – 8.0% per year  
 Salary increase – 4.5% – 10.0% per year based on service  
 Cost Method – Frozen Entry Age

### **Amortization Period for Any Increase in Actuarial Accrued Liability**

Frozen Initial Liability Method – 30 years

### **Summary of Data Used in Report**

See attached page.

### **Actuarial Impact of Proposal(s)**

See attached pages.

### **Special Risks Involved with the Proposal That the Plan Has Not Been Exposed to Previously**

None

### **Other Cost Considerations**

None

### **Possible Conflicts With IRS Qualification Rules**

None

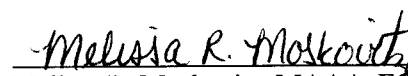
As indicated below, the undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

By



J. Stephen Palmquist, ASA, MAAA, FCA  
 Enrolled Actuary No. 08-1560  
 Senior Consultant & Actuary

By



Melissa R. Moskovitz, MAAA, FCA  
 Enrolled Actuary No. 08-6467  
 Consultant

# ANNUAL REQUIRED CONTRIBUTION (ARC)

A. Valuation Date	October 1, 2007 <i>Before Changes</i>	October 1, 2007 <i>After Plan Changes</i>	Increase/ (Decrease)
B. ARC to Be Paid During Fiscal Year Ending	9/30/2009	9/30/2009	9/30/2009
C. Assumed Date of Employer Contrib.	Monthly	Monthly	Monthly
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 1,846,242	\$ 2,820,664	\$ 974,422
E. Employer Normal Cost	3,885,263	4,098,481	213,218
F. ARC if Paid on the Valuation Date: D + E	5,731,505	6,919,145	1,187,640
G. ARC Adjusted for Frequency of Payments	5,960,765	7,195,911	1,235,146
H. ARC as % of Covered Payroll	59.86 %	65.87 %	6.01 %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	4.60 %	4.60 %	0.00 %
J. Covered Payroll for Contribution Year	10,415,547	11,427,569	1,012,022
K. ARC for Contribution Year: H x J	6,234,746	7,527,340	1,292,594
L. Credit for State Revenue	519,201	519,201	-
M. Required Employer Contribution (REC)	5,715,545	7,008,139	1,292,594
N. REC as % of Covered Payroll: M ÷ J	54.88 %	61.33 %	6.45 %

# **ACTUARIAL VALUE OF BENEFITS AND ASSETS**

A. Valuation Date	October 1, 2007 <i>Before Changes</i>	October 1, 2007 <i>After Plan Changes</i>	Increase/ (Decrease)
B. Actuarial Present Value of All Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	\$ 51,546,722	\$ 62,233,746	\$ 10,687,024
b. Vesting Benefits	2,431,563	2,649,095	217,532
c. Disability Benefits	1,824,316	2,003,734	179,418
d. Preretirement Death Benefits	627,107	696,276	69,169
e. Return of Member Contributions	410,480	488,798	78,318
f. Total	<u>56,840,188</u>	<u>68,071,649</u>	<u>11,231,461</u>
2. Inactive Members			
a. Service Retirees & Beneficiaries	82,744,516 *	88,199,309 *	5,454,793
b. Disability Retirees	2,944,785	2,944,785	0
c. Terminated Vested Members	<u>609,189</u>	<u>609,189</u>	<u>0</u>
d. Total	<u>86,298,490</u>	<u>91,753,283</u>	<u>5,454,793</u>
3. Total for All Members	143,138,678	159,824,932	16,686,254
C. Actuarial Accrued (Past Service) Liability per GASB No. 25 (EAN Method)	120,500,853	132,348,273	11,847,420
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	N/A	N/A	N/A
E. Plan Assets			
1. Market Value	81,292,324	81,459,734 **	167,410
2. Actuarial Value	76,175,833	76,343,243 **	167,410
F. Actuarial Present Value of Projected Covered Payroll	86,289,485	95,178,392	8,888,907
G. Actuarial Present Value of Projected Member Contributions	6,903,159	9,517,839	2,614,680

\* Includes DROP Accounts

\*\* Includes \$167,410 contributions in excess of 8% contribution rate

# **CALCULATION OF EMPLOYER NORMAL COST**

A. Valuation Date	October 1, 2007 <i>Before Changes</i>	October 1, 2007 <i>After Plan Changes</i>	Increase/ (Decrease)
B. Actuarial Present Value of Projected Benefits	\$ 143,138,678	\$ 159,824,932	\$ 16,686,254
C. Actuarial Value of Assets	76,175,833	76,343,243	167,410
D. Unfunded Actuarial Accrued Liability	25,020,229	36,867,649	11,847,420
E. Actuarial Present Value of Projected Member Contributions	6,903,159	9,517,839	2,614,680
F. Actuarial Present Value of Projected Employer Normal Costs: B-C-D-E	35,039,457	37,096,201	2,056,744
G. Actuarial Present Value of Projected Covered Payroll	86,289,485	95,178,392	8,888,907
H. Employer Normal Cost Rate: F/G	40.61 %	38.98 %	(1.63) %
I. Covered Annual Payroll	9,113,853 *	10,041,954 *	928,101
J. Employer Normal Cost: H x I	3,701,136	3,914,354	213,218
K. Assumed Amount of Administrative Expenses	184,127	184,127	-
L. Total Employer Normal Cost: J+K	3,885,263	4,098,481	213,218
M. Employer Normal Cost as % of Covered Payroll	42.63 %	40.81 %	(1.82) %

\* Payroll of those who have not reached the assumed retirement date



PARTICIPANT DATA		
	October 1, 2007 <i>Before Changes</i>	October 1, 2007 <i>After Changes</i>
<b>ACTIVE MEMBERS</b>		
Number	129	129
Covered Annual Payroll	\$ 9,957,502	\$ 10,925,018
Average Annual Payroll	\$ 77,190	\$ 84,690
Average Age	37.7	37.7
Average Past Service	8.2	8.2
Average Age at Hire	29.5	29.5
<b>RETIREEES, BENEFICIARIES &amp; DROP</b>		
Number	146	146
Annual Benefits	\$ 6,139,438	\$ 6,139,438
Average Annual Benefit	\$ 42,051	\$ 42,051
Average Age	58.7	58.7
<b>DISABILITY RETIREES</b>		
Number	11	11
Annual Benefits	\$ 365,194	\$ 365,194
Average Annual Benefit	\$ 33,199	\$ 33,199
Average Age	59.7	59.7
<b>TERMINATED VESTED MEMBERS</b>		
Number	5	5
Annual Benefits	\$ 106,065	\$ 106,065
Average Annual Benefit	\$ 21,213	\$ 21,213
Average Age	46.1	46.1